carolyn@weatherlyassetmgt.com
T 858.259.4507 F 858.259 .0782
832 Camino Del Mar, Ste 4 | Del Mar, CA 92014
WWW.WEATHERLYASSETMGT.COM

If you prefer to receive this letter via e-mail, please let us know: carolyn@weatherlyassetmgt.com

Second Quarter 2020 Weather(ly) Report
July 2020

Navigating change in the world can be a challenge to embrace, or an obstacle to resist. Change will occur either way. Riding the recent wave involves a myriad of changes including de-globalization and de-urbanization, intensified data and scientific collaboration, localized vehicle travel and outdoor experiences and consumer nesting while working from home coupled with online education, tele-medicine and social interactions in a virtual environment. These are only a handful of the tectonic shifts caused by the global pandemic. At this writing, COVID-19 cases surpassed 12 million with over 550 thousand deaths, and new hot spots emerging in the US sunbelt, Brazil and India.

Risk, fear and uncertainty remain on the horizon while furloughed or unemployed workers and businesses adapt to our "new normal." The US unemployment rate dropped to a pandemic low of 11.1% as states began re-opening, however businesses are still relying on stimulus like the Payroll Protection Program (PPP) which approved funding of over $500 billion at the time of this writing. While re-employment has started, there are some sectors of the global economy unable to truly emerge until vaccines, medical solutions and social distancing accommodations can be achieved.

We have continued to believe the scientific community will require a "cocktail of solutions" for testing, treatment, tracing and vaccination. During this time, global collaboration in data and science has expanded with rapidity. Dr. Fauci became a household name and countries, states and counties have implemented a wide variety of policies to help balance local virus, healthcare and economics needs.

Racialized and systemic issues were further magnified by those impacted by COVID-19, highlighting disparity of daily life, access to education, health care and other basic needs. Global protests have elevated attention to this issue and caused individuals to think about change to their thoughts, behaviors and how best to move forward. One solution does not fit all but awareness within communities can help to address change. Melinda Gates' recent book states, "opportunities have to be equal before you know if abilities are equal."

Unprecedented global monetary and fiscal stimulus continued around the globe during the second quarter, helping bridge economic shutdowns and subsequent re-emergences as appropriate geographically and by business and individual circumstances. In the US, the Fed Funds rate remains at zero and qualified borrowers were able to obtain historically low mortgage rates on re-finances or first-time home purchases.

After a record-setting selloff in March, domestic equity markets rallied to have the best quarter since 1998. The S&P 500 for the year down 3.09% seems disconnected from the difficulty experienced on Main Street, and one explanation is the recent composition of the indices. Decades ago, "The Market" was heavily weighted towards cyclical and economically sensitive sectors like energy and industrials, which have been hit hard by the pandemic. Current index composition is dominated by tech and consumer discretionary stocks with subscription models, sticky customer bases, and nimble abilities to pivot to new revenue streams or capture consumer trends. Looking at our top 10 holdings, our clients have been able to capture this phenomenon and has led to our outperformance.

"Top Ten" Holdings *

1. Apple Inc.
2. Amazon.com Inc
3. Netflix Inc
4. Microsoft Corp.
5. SPDR S&P Biotech ETF
6. Adobe Systems Inc.
7. Invesco S&P Global Water ETF
8. Paypal Inc
9. Home Depot
10. Starbucks Corp.

Weatherly's clients are fortunate to have access to education and the ability to earn, save and plan; incorporating gifts of philanthropy during times of need. We are extremely pleased with the performance of accounts given exposure to cloud-based tech, cyber-security, content streaming, paperless money and biotech, married with consumer non-discretionary names in consumer staples, and stability offered with our niche of high-quality fixed income. We expect to see volatility in the second half of the year due to global economic, political and supply-chain disruptions as the pandemic continues. Our goal is always to deliver consistent risk-adjusted investment returns and planning opportunities unique to our clients.

Our team continues to work (both remote and in office) with clients individually on their financial plans to take advantage of low borrowing costs, applicable CARES Act opportunities and associated tax savings and gifting to family members and communities in need. Conversations around the pandemic and social inequality are key to addressing family values, beliefs and goals to impact their community. Times they are a'changing. We welcome the opportunity to plan and collaborate. Remember to be the change you wish to see in the world.

***Please see reverse side**

-The Weatherly Crew

* *TOP TEN DISCLOSURE*

"Top Ten" holdings consist of Weatherly's largest stock positions as of quarter end. A full list of holdings is available upon request. It should not be assumed that any of the securities, transactions, or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

	*WAM Equity** (gross fee)*	*WAM Equity (net fee)*	*S&P 500t*	MSCI ACWI (gross USD)	*WAM Fixed** (gross fee)*	*WAM Fixed (net fee)*	*Merrill Lynch 1-3 year*	*WAM Balanced** (gross fee)*	*WAM Balanced (net fee)*	*Blended Benchmark*
2004	**14.70%**	**13.70%**	**10.87%**	**15.75%**	**4.05%**	**3.55%**	**0.91%**			
2005	**12.65%**	**11.65%**	**4.92%**	**11.37%**	**2.43%**	**1.93%**	**1.66%**			
2006	**16.21%**	**15.21%**	**15.78%**	**21.53%**	**4.94%**	**4.44%**	**3.95%**			
2007	**11.18%**	**10.18%**	**5.49%**	**12.18%**	**5.47%**	**4.97%**	**7.32%**			
2008	**-34.04%**	**-35.04%**	**-36.99%**	**-41.84%**	**-0.95%**	**-1.45%**	**6.61%**			
2009	**32.36%**	**31.36%**	**26.47%**	**35.41%**	**10.63%**	**10.13%**	**0.78%**			
2010	**11.93%**	**10.93%**	**15.06%**	**13.21%**	**6.77%**	**6.27%**	**2.35%**			
2011	**-5.58%**	**-6.85%**	**2.12%**	**-6.86%**	**4.37%**	**3.87%**	**1.55%**			
2012	**16.36%**	**15.36%**	**16.00%**	**16.80%**	**5.99%**	**5.49%**	**0.43%**	**11.84%**	**11.09%**	**8.18%**
2013	**28.20%**	**27.20%**	**32.41%**	**23.44%**	**-1.62%**	**-2.12%**	**0.36%**	**15.41%**	**14.66%**	**15.61%**
2014	**8.53%**	**7.53%**	**13.69%**	**4.71%**	**5.55%**	**5.05%**	**0.62%**	**7.43%**	**6.68%**	**7.01%**
2015	**4.86%**	**3.86%**	**1.38%**	**-1.84%**	**1.31%**	**0.81%**	**0.54%**	**3.55%**	**2.80%**	**1.09%**
2016	**8.70%**	**7.70%**	**11.95%**	**8.48%**	**2.79%**	**2.29%**	**0.88%**	**6.41%**	**5.66%**	**6.33%**
2017	**24.52%**	**23.52%**	**21.82%**	**24.62%**	**4.49%**	**3.99%**	**0.42%**	**17.01%**	**16.26%**	**10.75%**
2018	**-1.92%**	**-2.92%**	**-4.39%**	**-8.93%**	**0.61%**	**0.11%**	**1.59%**	**-0.80%**	**-1.55%**	**-1.06%**
2019	**32.54%**	**31.54%**	**31.48%**	**27.30%**	**7.05%**	**6.55%**	**3.55%**	**22.85%**	**22.10%**	**17.01%**
2nd Quarter 2020	**24.04%**	**23.79%**	**20.54%**	**19.39%**	**3.71%**	**3.58%**	**0.13%**	**16.21%**	**16.02%**	**10.34%**
Year-to-Date 2020	**5.71%**	**5.21%**	**-3.09%**	**-5.99%**	**1.50%**	**1.25%**	**2.94%**	**4.09%**	**3.71%**	**1.07%**
3-Year Trailing *(Ann.)*	**15.64%**	**14.64%**	**10.71%**	**6.69%**	**3.45%**	**2.95%**	**2.68%**	**11.26%**	**10.51%**	**7.32%**
Since Inception *(Ann.)*	**10.26%**	**9.26%**	**9.86%**	**7.31%**	**4.79%**	**4.29%**	**3.61%**	**10.11%**	**9.36%**	**7.60%**
Please see footnotes										

** *PERFORMANCE DISCLOSURE*

Please note, the Weatherly Asset Management (WAM) Equity performance is a mid- to large-cap value equity approach and the WAM Fixed Income performance is a high-quality intermediate-maturity investment approach. Performance numbers up to 12/31/05 are prepared in compliance with Association of Investment Management Research Performance Presentation Standards (AIMR PPS). Periods from 12/31/05 to 12/31/10 meet the requirements of the revised version of Global Investment Performance Standards (GIPS). Periods from 12/31/10 are calculated in a similar manner but GIPS standards no longer permit carve outs, therefore we no longer claim GIPS compliance. The gross of fee returns shown above are presented after deduction of all transaction costs, but prior to the deduction of advisory fees and such other possible expenses as custodial fees. The net of fee return is calculated by subtracting the advisory fees. Investment advisory fees are described in Part II of Weatherly's Form ADV. For the 2nd Quarter 2020, the maximum quarterly management fee is 0.25% for Weatherly's Equity Composite and 0.125% for the Fixed Income Composite.

Composite rates of return, since inception on an annualized basis after deduction of the maximum quarterly management fee is as follows for equity accounts for 1995, 32.41%, for 1995 and 1996 combined, 28.50%, for 1995-1997 combined, 30.24%, for 1995-1998 combined, 26.15%, for 1995-1999 combined, 25.06%, for 1995-2000 combined, 18.31%, for 1995-2001 combined, 12.70%, for 1995-2002 combined, 7.44%, for 1995-2003 combined, 9.53%, for 1995-2004 combined, 9.94%, for 1995-2005 combined, 10.05%, for 1995-2006 combined, 10.48%, for 1995-2007 combined, 10.46%, and for 1995-2008 combined, 6.36% for 1995-2009 combined 7.87%, for 1995-2010 combined, 8.06%, for 1995-2011 combined, 7.14%, for 1995-2012 combined, 7.58%, for 1995-2013 combined 8.57%, for 1995-2014 combined 8.54%, for 1995-2015 combined 8.31%, for 1995-2016 combined 8.29%, for 1995-2017 combined 8.91%, for 1995-2018 combined 8.39% for 1995-2019 combined 9.23%. For fixed income accounts 1995, 11.49%, for 1995-1996 combined, 8.35%, for 1995-1997 combined, 7.63%, for 1995-1998 combined, 7.58%, for 1995-1999 combined, 6.18%, for 1995-2000 combined, 6.50%, for 1995-2001 combined, 6.37%, for 1995-2002 combined 6.37%, for 1995-2003 combined, 5.92%, for 1995-2004 combined 5.68%, for 1995-2005 combined, 5.33%, for 1995-2006 combined, 5.25%, for 1995-2007 combined, 5.23%, for 1995-2008 combined, 4.74%, for 1995-2009 combined, 5.09%, for 1995-2010 combined, 5.17%, for 1995-2011 combined, 5.09%, for 1995-2012 combined, 5.11%, for 1995-2013 combined 4.72%, for 1995-2014 combined 4.73%, for 1995-2015 combined 4.54%, for 1995-2016 combined 4.44%, for 1995-2017 combined 4.42%, for 1995-2018 combined 4.23%, for 1995-2019 combined 4.32%.

Composite returns consist of all 100% discretionary accounts under management utilizing individual stock and bond holdings selected by WAM. Balanced portfolio segments have been included in single asset composites. Effective 1/1/06 to 12/31/10, cash and cash returns have been allocated to the segment returns according to the procedures outlined by Association of Investment Management Research (AIMR). Effective 1/1/16, equity and fixed composite returns no longer include cash or a weighting to cash. Dividends and interest received is generally not reinvested in the same security but is included in total return calculations. Effective 2010, Equity Composite performance excludes two related family groups which hold a concentrated position that due to tax considerations cannot be managed in the same manner as the overall equity composite. The composite performance represents the performance of an aggregate of the firm's managed accounts that align with a particular strategy. Individual account performance will vary and some clients may have experienced returns significantly different from the composite. Investing entails risk and past performance is no guarantee of future performance.

These performance numbers are provided under the flash reports provision of these said standards. "As prospective and current clients have received past results that were in compliance with the required disclosures within a 12-month period, firms may present interim data and returns (i.e. "Flash numbers") without quarterly disclosures." A full presentation, including all required disclosures, is available upon request. The WAM Balanced Composite represents actual portfolios utilizing strategic asset allocation with both equity and fixed income components. The fixed income component for individual portfolios underlying the balanced composite have allocations tailored specifically for that account and client, and varies between 5% and 90%, whereas the blended benchmark is 50% S&P 500 Total Return and 50% Merrill Lynch 1-3 Year representing an average of a 50% Equity and 50% Fixed Income benchmark allocation in the Composite.